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JUNE 24, 1976

QUOTE

C O N F I D E N T I A L SECTO 17049

E.O. 11652: XGDS-1

TAGS: ECIN, ENGR, CG, EEC

SUBJECT: MEETING WITH DAVIGNON

FROM WILLIAM ROGERS

I SAW DAVIGNON YESTERDAY IN BRUSSELS AND OUR CONVERSA-

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TION TOUCHED ON FOUR SUBJECTS: ZAIRE, CIEC, IEA, AND

US-EC FOLLOW-UP OF NAIROBI NORTH-SOUTH ISSUES.

1. ZAIRE: DAVIGNON SAID THE SITUATION IN ZAIRE WAS "PRETTY BAD" -- LAW AND ORDER NEEDED TO BE RESTORED AND IT WAS IMPORTANT TO BUILD UP REAL SECURITY. ON ECONOMIC MATTERS, BISENGIMANA TOLD DAVIGNON THAT THE PARIS DEBT RESCHEDULING NEGOTIATIONS HAD LEFT BISENGIMANA BITTER AND DEPRESSED, "AN AGGRIEVED MAN." HE FELT HE HAD BEEN TREATED AS A "DEMANDEUR" BY THE PARIS GROUP. DAVIGNON SAID HE DID NOT WANT TO OVERSTATE THE DIFFICULTIES OF THE PARIS NEGOTIATIONS, BUT THOUGHT IT IMPORTANT THAT US KNOW HOW BISENGIMANA FEELS.

DAVIGNON WAS MORE OPTIMISTIC ON COPPER PRODUCTION. TRANSPORTATION AND ENERGY. HE THOUGHT THAT REFORMS BEING PROPOSED BY ZAIRE TO BELGIUM IN IMPLEMENTING NATIONALIZATION PROGRAM COULD RESULT IN PROGRESS IN RESTORING RIVER AND TRAIN TRANSPORT AND IN PROVIDING ENERGY. IF AGREEMENT NOW BEING SOUGHT AMONG OIL COMPANIES GIVING PETROFINA NECESSARY CONTROL COULD BE REACHED, DAVIGNON THOUGHT ENERGY SITUATION WOULD IMPROVE. ALTHOUGH ZAIRE WAS NOT YET LIVING UP TO ITS COMMITMENTS IN EITHER CONTROLLING PUBLIC EXPENDITURES, REDUCING SOCIAL UNREST, OR COLLECTING TAXES, DAVIGNON SAW NO OTHER CHOICE BUT TO KEEP "PICKING AT THE PROBLEM AND SETTLING IT."

ON COPPER PRODUCTION, DAVIGNON PRAISED MEDIUM-LEVEL ZAIRIANS AS HAVING GREAT PRIDE AND ABILITY IN THIS FIELD. HE SAID THAT IF NEEDED SPARE PARTS COULD BE GOT THROUGH IN NEXT THREE MONTHS AND ROLLING STOCK MAINTAINED' COPPER PRODUCTION COULD BE BACK UP TO 90 TO 95 PERCENT OF WHAT ZAIRE PRODUCED LAST YEAR. HE ACKNOWLEDGED THAT ZAIRE WAS RUNNING BEHIND IN ALL ITS PRODUCTION PLANS AND THAT THERE WERE DANGER SIGNALS. BUT HE WAS QUITE HOPEFUL IF TWO CONDITIONS -- TRANSPORT AND SPARE PARTS GOALS -- WERE MET.

DAVIGNON WAS NOT IN FAVOR OF MAJOR BAILOUT ASSISTANCE TO ZAIRE AT THIS TIME. HE THINKS IT PREMATURE UNTIL ZAIRE GOES THROUGH WITH PRESENT PROGRAMS AND DEBT RECONFIDENTIAL

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SCHEDULING. THE ECONOMY IS PRIMITIVE, AND FOR THAT REASON CAN STAND A LOT OF BEATING. HE DISTRUSTS THE ECONOMIC DATA HE HAS SEEN FROM THE GOZ. HE THINKS WE SHOULD WAIT FOR SOMETHING MORE SPECIFIC AND TANGIBLE. AGAIN HE MENTIONED OBTAINING NECESSARY SPARE PARTS AS THE KEY TO COPPER PRODUCTION AND TRANSPORTATION.

2. CIEC: DAVIGNON HAD NOT YET DECIDED ON WHETHER TO

ATTEND JULY 9-10 PARIS MEETING. AT THE END OF OUR CONVERSATION HE SAID HE THOUGHT HE HAD BETTER GO. ON QUESTION OF LIMITING THE XCSS TO THE CO-CHAIRMEN'S REPORT. DAVIGNON SAID HE WAS DOUBTFUL ABOUT THE POSSIBILITY OF STAGE-MANAGING THE MEETING IN THIS FASHION. HE BELIEVES THE 19 WILL TRY TO GO BEYOND CO-CHAIRMAN'S REPORT. AND WE SHOULD BE READY' NOT ONLY DEFENSIVELY, BUT WITH IDEAS OF OUR OWN.

3. IEA: DAVIGNON HAS READ THE SECRETARY'S SPEECH TO THE OECD MINISTERIAL. HE THOUGHT THAT IN IEA OUR FIRST RESPONSIBILITY WAS TO MAKE OPERATIONAL WHAT HAD TO BE OPERATIONAL. BY JULY, WE WILL PRETTY MUCH HAVE DONE THAT -- OIL-SHARING, MSP, ETC. IN NEXT NINE MONTHS, IEA HAS TWO MAJOR PROBLEMS: TO DECIDE ON IMPLICATIONS WHICH CAN BE DRAWN FROM THE ENERGY MARKET AND REACH ASSESSMENT OF WHAT MEASURES ARE NECESSARY TO COPE WITH THESE. HE THOUGHT NATIONAL VOLUNTARY CONSTRAINTS -- CONSERVATION -- WAS ESSENTIAL FOR CREDIBILITY OF IEA PROGRAM.

HE BELIEVES THAT WITH CONSERVATION, AN ORGANIC BODY WHICH CAN GET THINGS DONE, (THE GOVERNING BOARD), GUIDANCE ON UTILIZATION OF ENERGY OVER NEXT FIVE YEARS, (PARTICULARLY IN NUCLEAR FIELD), TECHNOLOGICAL PROGRESS, AND DIALOGUE WITH PRODUCING COUNTRIES. WE HAVE A SATISFACTORY PACKAGE. HE STRESSED, HOWEVER, NEED FOR ONGOING CONSULTATIONS IN IEA TO PRODUCE IDEAS AND RECOMMENDATIONS ON POLICY LEVEL. NOT MERELY TECHNICAL PROPOSALS; OTHERWISE THE PROGRAM WOULD "DRIFT" TO THE OECD COUNCIL "WHICH WOULD NOT, IN HIS VIEW, BE EFFECTIVE.

4. INDUSTRIALIZED COUNTRIES' ALIGNMENT ON NORTH-SOUTH
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ISSUES, FOLLOW-UP OF NAIROBI: WE DISCUSSED A NUMBER OF NOTIONS FOR IMPLEMENTING THE SECRETARY'S PROPOSALS AT OECD, AND AGREED TO PURSUE THEM AT THE XCSS-MIDYEAR CYCLE OF MEETINGS. HE IS AT ONE WITH US ON THE NEED TO ALIGN -- THE SECRETARY'S FIRST NORTH-SOUTH OBJECTIVE AT PARIS. DAVIGNON CHARACTERIZED NAIROBI AS AN "TERRIBLE EXPERIENCE." HE SAID THAT "EC DISAPPEARANCE" IN THE LAST DAYS OF THE CONFERENCE WAS THE WORST POSSIBLE SITUATION AND MUST BE REMEDIED. UNLESS THE POSITION OF THE EUROPEAN COMMUNITY ON NORTH-SOUTH ISSUES IS STRENGTHENED AND UNIFIED, THE OTHER INDUSTRIALIZED COUNTRIES CANNOT SUCCEED IN THEIR POSITIONS. JAPAN CANNOT BE AN INTERLOCUTOR -- IT MUST BE THE UY AND THE EC. DAVIGNON TALKED WITH CROSLAND AND HAS THE IMPRESSION THAT UK IS NOW TAKING STEPS WITHIN THE FOREIGN OFFICE TO ENABLE THE UK

TO PLAY A BIGGER ROLE IN THE COMMUNITY. AFTER THE GERMAN ELECTIONS, DAVIGNON ALSO THOUGHT THEIR ROLE WOULD IMPROVE. BUT DAVIGNON WAS CONCERNED THAT CHEYSSON WILL NOT REMAIN IN THE COMMISSION. THAT WOULD BE A SERIOUS LOSS.

IN REPLY TO MY QUESTION AS TO WHAT US COULD DO, DAVIGNON REPLIED THAT THE US SHOULD REJECT NORTH-SOUTH ISSUES IN US-EC CONSULTATIONS. THIS WOULD PUT PRESSURE ON COMMUNITY TO DEVELOP POSITIONS. HE WAS CRITICAL OF OECD CONSULTATIONS AS FALLING FAR SHORT OF FOLLOW-UP AND DEPLORED ABSENCE OF "MECHANICS" FOR INDUSTRIALIZED COUNTRIES TO CAPITALIZE ON SUCH DEVELOPMENTS AS EASTERN EUROPEAN NEGATIVISM AT NAIROBI. HE SAID THERE WOULD BE NO "MECHANICS" AS LONG AS FRENCH HOLD TO THEIR PRESENT VIEW.

DAVIGNON SUGGESTED US MIGHT ACCELERATE EC COHESION WITHOUT TOUCHING ON DELICATE FRENCH POLITICAL PROBLEM BY HAVING US AMBASSADOR TO EC ESTABLISH FORMAL, REGULAR, ONGOING CONSULTATIONS WITH THE CHAIRMAN OF THE EC AND PERM REPS. THESE COULD TAKE THE FORM OF CONSIDERED INQUIRIES TO THE EC ON NORTH-SOUTH ISSUES, OBLIGING EC PERM REPS TO COME UP WITH REPLIES AS PART OF THE NORMAL CONSULTATIVE PROCESS.

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IN CONCLUSION, DAVIGNON EXPRESSED HIS UNHAPPINESS WITH INABILITY OF EC TO REACH AGREEMENT ON A POLITICAL LEVEL ON REPRESENTATION AT PUERTO RICO SUMMIT SAYING HE THOUGHT HE HAD WORKED OUT ACCEPTABLE AGREEMENT IN PRINCIPLE.

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